

Exhibit H PRINCIPLES OF NON-FEDERAL TRANSFER SERVICE

Reviewer's Note: This exhibit is not ready for detailed review of contract language and is included only to provide our current thinking of the contract principles that may form the basis for contract language after further discussions with customers.

This exhibit is applicable to the Customer if the Customer is acquiring non-federal resource(s) necessary to serve its retail load above established rate period High Water Mark, and the Customer has requested that BPA assist in the acquisition of transmission services for such resource(s) pursuant to section X(f)(7) of this agreement. BPA's support and assistance to the Customer shall be consistent with the following principles:

1. BPA's cost responsibility for transfer services associated with non-federal electric energy purchases to all Customers requesting support pursuant to section X(f)(7) shall be limited to \$650,000/year. Such amounts shall be subject to a 3% escalation factor each year.

Annual Dollar Limit

$$\leq \sum_{1}^n (\$650,000 * 1.03^n)$$

BPA shall arrange for transmission capacity up to a maximum of 41 MW per year, cumulative over the duration of the agreement. Actual capacity provided pursuant to the agreement shall be determined according to the following formula:

Annual Capacity Limit

$$\sum_{1}^n (\sum_{1}^m (U_m - HWM)) \leq \sum_{1}^n (41 \text{ MW/yr})_n, \quad \text{where}$$

U = Utility

HWM = High Water Mark

2. BPA's cost responsibility for transfer service is limited to the lesser of the amount BPA would have paid for transmission of federal Tier 2 power or the customer's cost of transmission.
3. Application of section X(f)(7) shall be on a first come, first served basis in each fiscal year.
4. Except for the services of Load Regulation and Reactive Power, Customer shall be responsible for the costs of all Ancillary Services necessary to deliver the non-federal resource to its load. Ancillary service costs, except for load regulation and reactive power, shall be apportioned between BPA and the Customer based on either;
 - Metered/scheduled quantities of the non-federal resource dedicated to load expressed as a percentage of total load multiplied by the total costs assessed BPA by the Transfer Provider, or
 - actual charges assessed by the Transfer Provider



The cost of interconnecting generation to a transmission system shall be the responsibility of the Customer.

All other costs, whether identified herein or not, are the responsibility of Customer

5. Customer agrees to work cooperatively with BPA in establishing necessary protocols, provisions, or other arrangements BPA deems necessary to manage the particular nature of Customer's non-federal resource.
6. BPA shall be responsible for the costs associated with transmission service to the customer over transmission facilities of the Transfer Provider that either interconnect directly to the Customer or interconnect to BPA transmission facilities. The Customer shall be responsible for all arrangements and costs required to delivery power to an interconnection point with the Transfer Provider.
7. Unless otherwise agreed, Customer will be responsible for managing the non-federal resource and providing hourly schedules to BPA.
8. Customer shall provide BPA all the generator specific information, if applicable and necessary, required to obtain transmission service from a Transfer Provider.
9. Long-term, short term and unspecified non-federal resources.
 - a. For acquisitions of long term non-federal resources by Customer, BPA intends to obtain firm transmission rights from the Transfer Provider and/or request designation of the resource as a Network Resource (or its equivalent). However, BPA shall not be responsible to Customer in the event such firm transmission and/or designation cannot be acquired.
 - b. Unspecified and short term resources of the Customer are not eligible for inclusion in this agreement.
10. The Customer shall pay BPA for transmission service of non-federal energy for all service hereunder either through separate transmission agreement with BPA or under provisions of this Agreement.
11. Customer is responsible for the acquisition of firming and shaping services to support their intermittent resource, in accordance with the balancing authority requirements. BPA will not guarantee resource support services for intermittent resources.
12. BPA will not accept liability in the event firm transmission cannot be acquired on the Transfer Provider system.
13. Customer is responsible for losses assessed by the Transfer Provider associated with the non-federal resource.
14. Customer is responsible for all metering requirements which must comply with BPA standards.
15. Customer will pay a scheduling charge for all non-federal resources BPA schedules to serve Customers load.